

the United States Department of Agriculture and predecessor agency to RUS with respect to administering certain electric and telephone loan programs.

Refunding Loan means the note(s), bond(s) or other obligation(s) evidencing indebtedness created by the Refunding Loan(s).

Refunding Note means the loan or loans used by the borrower to prepay FFB Notes, RUS Notes or RTB Notes pursuant to this subpart.

RTB means the Rural Telephone Bank, a body corporate and instrumentality of the United States established pursuant to 7 U.S.C. 941.

RTB Notes mean those notes, bonds or other obligations evidencing indebtedness created by loans made by the RTB pursuant to Title IV of the RE Act (7 U.S.C. 941-950b).

RUS means the Rural Utilities Service, an agency of the United States Department of Agriculture established pursuant to Section 232 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354, 108 Stat. 3178), successor to REA with respect to administering certain electric and telephone programs. See 7 CFR 1700.1.

RUS Notes mean those notes, bonds or other obligations evidencing indebtedness created by loans made pursuant to Titles I, II, or III of the RE Act (7 U.S.C. 901-940).

Service Area shall have the meaning set forth in § 1786.84(c).

[52 FR 2395, Jan. 22, 1987, as amended at 53 FR 37733, Sept. 28, 1988. Redesignated at 55 FR 49250, Nov. 27, 1990, and amended at 59 FR 66440, Dec. 27, 1994]

§ 1786.78 Demonstration program.

Pursuant to section 311 of the RE Act and this subpart, qualified borrowers may prepay FFB Loans by paying the outstanding principal balance due thereon. Borrowers may refinance FFB Loans with Refunding Loans from qualified Private Lenders. Such Refunding Loans shall be eligible for a Guarantee as hereinafter provided. Participating borrowers shall be required to prepay all other loans made or guaranteed pursuant to the RE Act and otherwise comply with the provisions of this subpart. Because section 311 of the RE Act provides for a dem-

onstration program of limited applicability, many of the terms and conditions for prepayments of FFB Loans and in particular the terms and conditions of Refunding Loans shall be negotiated on a case-by-case basis by RUS, the borrower, and the Private Lender, and any other secured party under the borrower's Mortgage.

§ 1786.79 RUS Guarantee.

For the purposes of this subpart, "Guarantee" means the endorsement in the form specified by RUS. The Guarantee shall provide, among other matters, that in the event of a payment default by the borrower on a Refunding Note bearing a Guarantee, RUS shall pay the Private Lender, when and as due, 90 percent of the unpaid portion of the regularly scheduled debt service payment on such Refunding Note. RUS shall have the right to accelerate, in accordance with § 1786.80(c)(7), such Refunding Note and pay the Private Lender 90 percent of the outstanding principal balance and accrued interest of the loan guaranteed by RUS and be discharged from its Guarantee obligation.

§ 1786.80 Qualifications.

(a) *Borrowers.* To qualify to prepay an FFB Loan pursuant to this subpart, the borrower:

(1) Must be located in the State of Alaska;

(2) Must prepay the FFB loan by using a Refunding Loan with a Guarantee, or by using Internally Generated Funds;

(3) Must prepay all of its outstanding loans made or guaranteed under the RE Act; and

(b) *Private Lenders.* To qualify for a Guarantee pursuant to this subpart, the Private Lender must be an entity or a trust administered by an entity; such entity in either case must also:

(1) Be a private legally organized lender;

(2) Either (i) be subject to credit examination and supervision by either an agency of the United States or a State and be in good standing with its licensing authority and have met the requirements, if any, of licensing, lending and loan servicing in the State where the collateral for the Refunding